

TESTIMONY OF A. R. WATTS**FOR****THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA****DOCKET NO. 2000-558-E****IN RE: APPLICATION OF GREENVILLE GENERATING COMPANY, LLC FOR
CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY AND PUBLIC
CONVENIENCE AND NECESSITY**

**Q. WOULD YOU PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
OCCUPATION?**

A. A. R. Watts, 101 Executive Center Drive, Columbia, South Carolina. I am employed by the Public Service Commission of South Carolina, Utilities Department, as Chief of Electric.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND
EXPERIENCE.**

A. I received a Bachelor of Science Degree in Electrical Engineering from the University of South Carolina in Columbia in 1976. I was employed at that time by this Commission as a Utilities Engineer in the Electric Department and was promoted to Chief of the Electric Department in August 1981. I have been in my current position since October 1999. I have attended professional seminars relating to Electric Utility Rate Design and have testified before this Commission in conjunction with fuel clause, complaint, territorial assignment, Siting Act and general rate proceedings.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
PROCEEDING?**

A. The purpose of my testimony is to provide the results of Staff's review of the proposal of Greenville Generating Company for a Certificate of Public Convenience and Necessity for the proposed 900 MW plant to be located near Fork Shoals in Greenville County.

1 **Q. PLEASE GIVE A BRIEF DESCRIPTION OF THE PROJECT.**

2 **A.** The proposed facilities include six natural gas-fired, simple cycle combustion
3 turbine generating units totaling approximately 900 megawatts of capacity to be
4 located on 66.79 acres, west of the town of Fork Shoals in Greenville County. The
5 project will be interconnected to the transmission system of Duke Power and the
6 natural gas pipeline operated by Williams Gas Pipeline-Transcontinental Gas Pipe
7 Line Company. Per the Application, the facility will operate as an Exempt
8 Wholesale Generator and power produced by the plant will be sold at wholesale. The
9 facilities are proposed to be in commercial operation by June 2003.

10 **Q. WHAT IS REQUIRED OF THE APPLICANT, PER THE SITING ACT,**
11 **PRIOR TO THE APPLICATION BEING FILED WITH THE PUBLIC**
12 **SERVICE COMMISSION?**

13 **A.** The Applicant must serve a copy of the application on the chief executive officer of
14 each municipality and the head of each State and local government agency, charged
15 with the duty of protecting the environment or of planning land use, in the area in the
16 county in which any portion of the facility is to be located. A notice accompanying
17 the application is required which specifies the date on or about which the application
18 is to be filed. Public notice of applicant's intent to file with the Commission shall be
19 given in the affected areas via newspapers of general circulation.

20 **Q. HAS GREENVILLE GENERATING COMPANY COMPLIED WITH THESE**
21 **CONDITIONS?**

22 **A.** Yes. The application included certification of service on the designated parties and
23 proof of publication of the notice was subsequently provided.

24 **Q. ARE THERE CERTAIN ENTITIES, OTHER THAN THE APPLICANT,**
25 **WHICH ARE AUTOMATIC PARTIES TO ANY CERTIFICATION**
26 **PROCEEDING?**

27 **A.** Yes. The Siting Act designates three State Agencies as parties to these proceedings.
28 These agencies have expertise and jurisdiction in the various fields of health,
29 environment, land use, and natural resources. These agencies are the Department of

1 Health and Environmental Control, the Department of Natural Resources, and the
2 Department of Parks, Recreation and Tourism.

3 **Q. PLEASE DESCRIBE THE INFORMATION THAT MUST BE CONTAINED**
4 **IN AN APPLICATION FOR A CERTIFICATE?**

5 **A.** The Siting Act directs that an application contain a description of the location and of
6 the major utility facility to be built; a summary of any studies which have been made
7 of the environmental impact of the facility; a statement explaining the need for the
8 facility; and such other information as the applicant may consider relevant or as the
9 Commission may require.

10 **Q. DOES THE APPLICATION CONTAIN THIS INFORMATION?**

11 **A.** Yes. A description of the facility and its location is presented as well as a summary
12 of the environmental impact, and the intended use or need for the facility.

13 **Q. SUBSEQUENT TO FILING OF THE APPLICATION, WHAT OTHER**
14 **PROCEDURES ARE NECESSARY TO SATISFY THE CRITERIA OF THE**
15 **SITING ACT?**

16 **A.** The Commission must fix a date for the commencement of a public hearing, not less
17 than sixty nor more than ninety days after receipt of the application. Due to the
18 constricted time frame, a notice must be issued promptly by the Commission to the
19 applicant for publication in newspapers in general circulation in the affected areas.
20 All parties designated in the Siting Act are provided this same notice that indicates
21 the Application has been filed, a hearing will be held, and comments, views or
22 testimony and evidence are solicited from interested parties.

23 **Q. HAVE THESE REQUIREMENTS BEEN COMPLETED?**

24 **A.** Yes. The notice was sent to the Applicant, who subsequently provided the
25 Commission with proof of publication, and the notice was likewise sent to all the
26 parties as designated in the Siting Act. The notice included an intervention final date
27 of no later than January 2, 2001. The Commission also issued an order establishing
28 prefiling dates for testimony and evidence in this matter.

29 **Q. WHAT IS YOUR UNDERSTANDING OF THE BASIS FOR THE NEED FOR**
30 **THE GREENVILLE GENERATING FACILITY?**

1 A. As indicated in the Application, the proposed facility is intended to operate as an
2 Exempt Wholesale Generator, through which it will provide electric power to the
3 wholesale market. The facility is to be operated as a peaking plant, and as such will
4 run as necessary to meet peak loads. The wholesale market includes possible sales to
5 a local power company with whom Greenville Generating has been negotiating,
6 electric cooperatives, municipalities, other local power companies and wholesale
7 marketers. South Carolina as well as surrounding states have experienced increased
8 usage and demand for power over the past five to ten years. The three major electric
9 investor-owned utilities or IOU's in South Carolina continue to record all-time peak
10 demands for electric energy in both the summer and winter periods. Even
11 considering this increased demand, there has been only one addition of a base load
12 facility in South Carolina in at least the last ten years by our IOU's, although our
13 utilities have added some additional peaking capacity over this same time frame.
14 During the past decade, several occurrences have steered the electric industry away
15 from self-construction of generating facilities. During the 1980's many IOU's were
16 hit with significant disallowances of costs for major construction projects by the
17 regulatory authorities throughout the country which placed some utilities on the
18 brink of bankruptcy. The emergence of Least Cost or Integrated Resource Planning
19 across the nation guided the focus for meeting future energy requirements in many
20 directions other than the traditional building of generating plants. In some instances
21 the major concentration was on conservation and demand side management with
22 little regard for new plant additions.

23 The Clean Air Act Amendments of 1990 mandated more stringent limits on air
24 emissions to be phased-in beginning in 1995 and increasing again in 2000. This
25 made the economics of future coal-fired units questionable and required additional
26 investments in existing fossil facilities to meet these new restrictions in order for
27 them to be able to continue to operate. During this period our IOU's were also going
28 through refurbishing activities, plant uprates where possible, nuclear unit relicensing,
29 as well as cost cutting measures to avoid rate increases and the accompanying
30 problems of the 70's and 80's.

1 Also occurring at this time was the push by the Federal Energy Regulatory
2 Commission to open the transmission system to access for wholesalers and require
3 the utilities to join regional groups or turn over control of their transmission systems.
4 The utilities were also under the looming prospect of retail deregulation or
5 restructuring and all its accompaniments, not the least of which was the stranded
6 costs issue.

7 I believe all these issues have, to varying degrees, guided our State's electric
8 industry to where it is today. The operators of the existing older generating units are
9 striving for maximum outputs and efficiency. In addition, some of these generating
10 facilities are planned for retirement over this planning horizon. The reserve margins
11 that used to be targeted at 20% have been reduced and our IOU's now show these
12 margins in the 10 to 17% range, with some of this capacity being covered through
13 wholesale purchases and purchases from PURPA facilities.

14 In addition, all three of our IOU's resource plans indicate the need for additional
15 capacity over the next ten years to meet the anticipated load requirements with some
16 of these needs being met through purchases.

17 I believe that a mixed portfolio of resources is appropriate and desirable to meet
18 these energy needs.

19 **Q. HOW DO YOU SEE THIS FACILITY BENEFITING THE SYSTEM AND**
20 **ITS RELIABILITY?**

21 **A.** This proposed facility fits into the overall plan and scope of our incumbent State
22 IOU's to the extent that it could be available to provide energy and capacity during a
23 time when the resource plans indicate a need for such generation. The owners of this
24 facility are required to absorb the expenses associated with integrating it into the grid
25 and included in the criteria are the operating contingencies as promulgated by the
26 North American Electric Reliability Council. Since these are non-utility facilities,
27 they will be added to the system at the expense of Greenville Generating Company
28 and will not be added to the rate base of any of our regulated utilities and thus will
29 not subject South Carolina consumers to possible associated rate increases. Since the
30 lead time for construction of these type facilities is fairly short, i.e. in the two to

1 three year range, our jurisdictional IOU's have the alternative to meet load
2 requirements by self-building if they determine that that would be more appropriate
3 than entering into any particular purchase power agreement. The existence of the
4 facility in question, I believe, would provide another option for our IOU's to meet
5 the system demands without binding the utilities' ratepayers to paying for the
6 facility. Also, the existence of these additional facilities should enhance the systems
7 reliability while minimizing the risk to the utility customers.

8 **Q. WERE THERE ANY COMMENTS FILED BY ANY OF THE PARTIES OR**
9 **INTERESTED PERSONS AS A RESULT OF THE NOTICES?**

10 **A.** Yes. Mr. Dozier Brooks, Chairman of the Greenville County Council, filed a letter in
11 support of the Greenville Generating Company Application.

12 **Q. WERE THERE ANY INTERVENTIONS IN THIS DOCKET?**

13 **A.** Yes. The Consumer Advocate for the State of South Carolina, Duke Power, and
14 South Carolina Electric & Gas Company intervened in this proceeding. I am also
15 aware that Piedmont Natural Gas Company, Inc. has filed a Petition to Intervene out-
16 of-time in this proceeding.

17 **Q. TO THIS POINT IN THE PROCESS, HAVE THE REQUIREMENTS OF**
18 **THE SITING ACT FOR THIS FILING BEEN ACCOMPLISHED?**

19 **A.** Yes.

20 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

21 **A.** Yes, it does.